

Message Text

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17

ACTION NEA-09

INFO OCT-01 ISO-00 EB-05 RSC-01 DRC-01 /017 W

----- 116164

R 120741Z SEP 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 0875

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: BTIO, BMEP, BEXP, KU

SUBJECT: KUWAIT STEEL MILL

REF: (A) STATE 177752 (B) KUWAIT 3659 (C) KUWAIT 3292

(D) KUWAIT 2296

SUMMARY: STEEL MILL STILL AWAITS FINAL APPROVAL FROM COUNCIL OF MINISTERS. IF APPROVED COMPETITION LIKELY TO COME FROM U.K., FRENCH, AND GERMAN FIRMS. ONLY ONE U.S. CONSORTIUM LIKELY TO BID TURNKEY WHILE OTHER INTERESTED U.S. COMPANIES WILL LIKELY CONCENTRATE ON ONE ASPECT OR ANOTHER OF TENDER. TOO EARLY TO SAY IF KUWAITIS WILL REQUIRE A FIXED COST CONTRACT BUT WOULD NOT BE SURPRISING IF THEY DID SO. END SUMMARY.

1. ALTHOUGH COUNCIL OF MINISTERS HAS HAD FINAL APPROVAL KUWAIT STEEL MILL PROJECT ON THEIR AGENDA SINCE AUG. 18, APPARENTLY NO ACTION HAS BEEN TAKEN AND NONE EXPECTED UNTIL ALL KEY MINISTERS CONCERNED RETURN TO KUWAIT.

2. AS PREVIOUSLY REPORTED SPECIAL COMMITTEE FORMED TO STUDY PROJECT HAS MADE FAVORABLE RECOMMENDATION TO COUNCIL, BUT RECENT PETROLEUM PRODUCTION CUTBACKS WITH CONCOMITANT DECREASE IN

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AMOUNT GAS AVAILABLE POTENTIALLY RAISES ANEW QUESTIONS ABOUT

PROJECT'S IMPORTANCE RELATIVE TO OTHER PROPOSED INDUSTRIES WHICH EITHER UTILIZE OR CONSUME GAS IN THEIR OPERATION. MOST OBSERVERS, HOWEVER, STILL BELIEVE PROJECT WILL BE APPROVED.

3. ACCORDING TO KNOWLEDGEABLE SOURCE, JAPANESE STILL REMAIN APATHETIC TO PROJECT AND EAST EUROPEANS HAVE BEEN DISCOURAGED FROM PARTICIPATING. SEVERAL FRENCH FIRMS (WHICH CAME HERE LAST WINTER WITH JOBERT) AND GERMAN FIRMS WILL LIKELY BID ON TENDERS AS WELL AS CONSORTIUM OF MORGAN CONSTRUCTION CO. (U.S.) A MANUFACTURER OF ROLLING MILLS, AND A U.K. FIRM WHICH MAY BE DAVEY POWERGAS.

4. APPEARS MOST LIKELY TURNKEY APPROACH FROM U.S. WILL BE ARMCO/ FOSTER-WHEELER. U.S. S. ENGINEERS HAS SUBMITTED PROPOSAL TO DO DETAILED ENGINEERING, PROCUREMENT SUPERVISION FOR PROJECT, AND UNDERTAKE TRAINING AND MANAGEMENT. U.S.S. ENGINEER'S ROBERT SABA WILL LIKELY VISIT KUWAIT IN NOVEMBER TO DISCUSS THEIR PROPOSAL WITH RESPONSIBLE KUWAITIS. APPEARS SWINDELL-DRESSLER HAS LOST INTEREST IN TURNKEY APPROACH BUT WILL INSTEAD BACK FOREIGN OFFERS INCORPORATING THEIR HYL DIRECT REDUCTION PROCESS IN PROPOSAL. KAISER OFFICIAL VISITED KUWAIT BUT REPORTEDLY WAS NOT ENTHUSED AND WE NOT IN POSITION TO COMMENT ON OTHERS SUCH AS MESTA MACHINE AND OTHERS WHO AT ONE TIME OR ANOTHER HAVE SHOWN INTEREST.

5. UNTIL COMPANY INCORPORATED IT UNCERTAIN WHETHER FIXED-PRICE CONTRACT WILL BE REQUIRED. HOWEVER, KUWAITIS HAVE STRONG PREDILECTION FOR THIS TYPE OF AGREEMENT BUT ARE CAPABLE OF EXHIBITING FLEXIBILITY WHEN NECESSARY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, STEEL, PROGRAMS (PROJECTS), INDUSTRIAL PLANTS, INVESTMENT OPPORTUNITIES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUWAIT03874
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740254-0679
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740952/aaaabsdy.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 177752 (B) KUWAIT 3659 (C)
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Aug-2002 by izenbei0>; APPROVED <06 MAR 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT STEEL MILL
TAGS: BTIO, BGEN, BEXP, KU
To: COM
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005